



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 30, 2011

H.R. 2992 **Taiwan Airpower Modernization Act of 2011**

*As ordered reported by the House Committee on Foreign Affairs
on November 17, 2011*

H.R. 2992 would require the President to sell at least 66 F-16C/D fighter jets to Taiwan. Enacting the bill would affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that those effects would be insignificant. Enacting the bill would not affect revenues and would have insignificant effects on spending subject to appropriation.

Under current law, sales of U.S. defense articles and services to foreign governments are carried out under the Foreign Military Sales (FMS) program—a direct spending program administered by the Defense Security Cooperation Agency (DSCA). Once the Department of State has approved a sale, DSCA enters into an agreement with the foreign government to procure the necessary items. The foreign government pays the full cost of all items and a fee to cover DSCA's administrative costs.

Taiwan is eligible for sales under the FMS program and has requested new F-16 jets to replace older models they currently own. In September, the Administration decided against selling those F-16s to Taiwan and instead offered to refurbish the existing jets. Under the bill, the President would be required to sell Taiwan the jets it requested. Because Taiwan would pay the full cost of the jets plus a fee to cover DSCA's administrative costs, CBO estimates that enacting bill would have no significant effect on direct spending. CBO also expects that any costs incurred by the Department of State to approve the sale would be less than \$500,000, assuming availability of appropriated funds.

H.R. 2992 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.